

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact

Telephone Number:

Refer Reply to

Date

NO PROTEST RECEIVED
Release () to District
Date 7/22/91
Signature [REDACTED]

JUL 29 1991

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted indicates that you were created pursuant to your constitution in [REDACTED] in the State of [REDACTED] for the purposes of advancing all breeds of purebred dogs, protecting and advancing the interests of all breeds of purebred dogs, encouraging sportsmanlike competition at dog shows and obedience trials, and conducting sanctioned matches, dog shows, and obedience trials under the rules of the American Kennel Club.

All persons who are in good standing with the American Kennel Club (AKC) and who subscribe to the purposes of your club are eligible for membership. You have three types of memberships, regular, life, and honorary. Membership dues are \$[REDACTED] for a single membership and \$[REDACTED] for couples. Life and honorary memberships are free.

Your sources of support are the income from the annual AKC point show, the AKC matches twice a year, the breed and handling classes and membership dues.

Your activities are an annual AKC licensed point show in the Fall; two AKC sanctioned matches a year to help educate the dog owning public in the sport of purebred dogs and to help novices learn more about showing dogs; breed handling classes to help the novice learn how to show his/her dog; obedience classes for novice through advanced to help general public and members learn how to train their dogs for obedience shows and for the pleasure of a well trained dog; a dog breeders referral service to help educate the general public on where to buy purebred dogs, how to care for them, how to show them, and to help anyone having to give up his/her purebred dog by helping to place it; and dog exhibitions held at the local mall.

You state you seek public patronage of your activities by advertisements or other requests. You also state that non-members will be permitted to participate in activities conducted

████████████████████
by you such as dog shows, matches, handling classes, and obedience classes.

You state that an AKC match is a dog show put on for fun by the club. You hold two matches per year which are open to the general public. The only requirement for participation is to have an AKC registered dog that meets the AKC standard for that breed. A match gives people who have purebred dogs a chance to practice with their dogs. Judges judge the dogs and different classes for the dogs from 3-6 month old puppies to grown dogs. There is a charge for entering the dogs in the matches. You also have various other dog shows during the year which are open to the general public for participation. There is a charge for entering the dogs in the shows.

The statement of revenue and expenses submitted with F1024 for the period of time ██████████ through ██████████, shows revenue from dues and assessments of members in the amount of \$████, from activities related to your exempt purposes \$████, and from investment income \$████. Revenue for █████, █████, and █████ from dues and assessment of members are \$████, \$████, and \$████ respectively; from activities related to your exempt purposes \$████, \$████, and \$████ respectively; and from investment \$████, \$████, and \$████ respectively. In your letter dated ██████████ █████, you indicate that for the period of ██████████ - ██████████ ██████████, approximately \$████ of the \$████ of revenue from activities related to your exempt purposes, is income from nonmembers and members of other dog clubs. However, you do not provide this information for the █████ - █████ tax years.

You state that you have no real way of telling from your dog shows and services how much money is from club members, non-members, and members from other clubs. Your matches and shows are open to the general public, people come from as far away as ██████████ to show their dogs, and they fill out an entry blank which does not ask if they belong to a club. Consequently, you have no way of knowing what club participants belong to or if they belong to any club. You believe that when you put on a show or match your members do not show as they are usually too busy running the match or show to exhibit their dogs. Therefore, you believe that █████% of the money you take in is from non-members and members of different dog clubs.

You also state that your handling and obedience classes are open to the general public and a fee is charged. You have no way of knowing how much money is from club members, non-members, and members from different dog clubs. Since your members are putting on the classes, they usually do not enter the classes. Consequently, approximately █████% of the income is from non-members and members from other dog clubs.

Section 501(c)(7) of the Code provides for the exemption from federal income tax of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that the exemption provided by section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. A club which engages in business, such as making its social and recreational facilities available to the general public, is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a).

Revenue Procedure 71-17, 1971 - 1 C.B. 683, provides guidelines for determining the effect of gross receipts derived from non-member use of a social club's facilities on the club's exemption under section 501(c)(7) of the Code. Rev. Proc. 71-17 states that the term "general Public", as used in the revenue procedure, means persons other than members of the club, their dependents, or guests.

Revenue Ruling 79-145, 1979 - 1 C.B. 360, describes a social club exempt from federal income tax under section 501(c)(7) of the Code which operates a calcutta (wagering pool) in connection with a sports event it conducts. Participation in the calcutta and sports event is open to club members and members of other similar social clubs. All persons attending pay entrance fees that are used to help defray the expenses of the sports event and calcutta.

The revenue ruling states that a guest of a nonprofit social club is an individual who is a guest of a member of the club and who ordinarily does not reimburse the member for the guest's expenses. On the other hand, amounts paid to a social club by visiting members of another social club are amounts paid by non-members, even though both clubs are of like nature and the amounts paid are for goods, facilities, or services provided by such social club under a reciprocal arrangement with such other social club.

Accordingly, in this case, the members of the other social

clubs that attend the calcutta are not guests of the members of the host club, but are members of the general public within the meaning of Rev. Proc. 71-17. The ruling further states that the calcutta is being operated for profit, inasmuch as the general public through payment of the entrance fees, is providing income to help pay the operating expenses.

You are similar to the organizations described in the revenue rulings cited above, in that you are receiving income from members of other clubs similar to yours and other persons who may not belong to any clubs. These persons are members of the general public within the meaning of section 501(c)(7) of the Code and Rev. Proc. 71-17, cited above, and are providing income to help defray your expenses.

An organization described in section 501(c)(7) of the Code is permitted to receive up to 35% of its gross receipts, including investment income, from sources outside of its membership. Of the 35%, not more than 15% of the gross receipts may be derived from the use of the club facilities or services by the general public.

Based on the information in the file, your source of income is substantially from the general public rather than from your membership. You have indicated that █% and █% of income from your activities is from the general public. Therefore, you do not meet the "non-member income" requirements under section 501(c)(7) of the Code. You are not supported solely by membership fees, dues, and assessments as required by section 1.501(c)(7)-1(a) of the regulations.

Based on the above, we conclude that you are not operated as a social club within the meaning of section 501(c)(7). Therefore, you do not qualify for tax exempt status under section 501(c)(7) of the Code.

You are required to file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted in duplicate within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

[REDACTED]

If you direct further correspondence to us concerning this matter, please include the following symbols on the envelope: [REDACTED]. These symbols do not refer to your case but rather to its location.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any questions about your federal income tax status, please contact your key District Director.

Sincerely,

signed) [REDACTED]

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 2

cc: [REDACTED]

[REDACTED]